

Selected Highlights

2nd Sub. SB 223 -- Tax Amendments As Enacted February 28, 2007

**Senator Wayne L. Niederhauser
House Sponsor: Representative John Dougall**

1. The state individual income tax under the multiple rate bracket system is no longer imposed for taxable years beginning after December 31, 2007.
2. Enacts the following changes to the Single Rate Individual Income Tax Act effective tax years beginning on or after January 1, 2008:
 - a. Tax rate is reduced from 5.35 % to 5%.
 - b. Enacts a non-refundable credit equal to:
 - 6% of the taxpayer's federal standard deduction or of the taxpayer's federal itemized deductions, less itemized state individual income tax; *plus*
 - 6% of 75% of the federal personal exemption.This credit phase out at 1.3 cents for each dollar of modified adjusted gross income over:
 - \$12,000 (single)
 - \$18,000 (head of household)
 - \$24,000 (joint)These amounts are indexed for inflation.
 - c. Enacts a non-refundable credit of \$450 for an eligible retiree who is 65 years of age or older and was born on or before December 31, 1952 and a non-refundable credit equal to the lesser of \$288 or 6% of eligible retirement income for an eligible retiree who is under age 65 and was born on or before December 31, 1952.

These credits phase out at 2.5 cents for each dollar of modified adjusted gross income over:
 - \$16,000 (married filing separately)
 - \$25,000 (single)
 - \$32,000 (married filing joint)
3. Enacts the following changes to the Sales and Use Tax Act effective January 1, 2008:
 - a. Reduces the state sales and use tax rate from 4.75% to 4.65% and reduces the state sales and use tax rate on food from 2.75% to 1.75%.
 - b. Establishes a uniform statewide sales and use tax of 3% on food by removing

food and food ingredients from the sales and use tax base for the following local option sales and use taxes:

- Basic and Additional Public Transit
- Basic and Additional Resort Community
- Rural County Health Care Facility and Rural City Hospital
- Municipal and County Botanical, Cultural, Recreational, and Zoological
- Municipal Highway
- Town Option
- County Option for Highways, Fixed Guideways, or Systems for Public Transit
- County Option for Transportation.

c. Allows a:

- county or municipality to increase its basic transit sales and use tax rate from .25% to .30% (except within the boundaries of a county, city, or town where the County Option Sales and Use Tax for Highways, Fixed Guideways, or Systems for Public Transit is imposed).
- municipality to increase its Basic Resort Community Sales and Use Tax rate from up to 1% to up to 1.1%.
- municipality to increase its Municipal Highways Sales and Use Tax Rate from .25% to .30%.
- county to increase its County Option Sales and Use Tax for Highways, Fixed Guideways, or Systems for Public Transit from .25% to .30%.

d. Provides that if a county does not impose the County Option Sales and Use Tax on or before January 1, 2008 that a state sales and use tax rate is imposed in that county and the revenue is deposited into the General Fund.

e. Appropriates funds to the Department of Health for grants to rural hospitals and health care facilities.

f. Enacts new sales and use tax exemptions on purchases of certain mining equipment and dental prostheses.

4. Other provisions:

- a. Expands the research and development tax credits available under the corporate franchise and income taxes and the individual income tax.
- b. Extends and modifies the renewable energy systems tax credit. Expands the credit to include some geothermal sources.
- c. Enacts a new non-refundable credit for certain multi-channel video or audio service providers and requires a provider to pass the credit through to its purchasers.